

LAFAYETTE REGIONAL AIRPORT COMMISSION



ADVISORY SERVICES REPORT
ISSUED MARCH 7, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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March 7, 2007

Mr. Gregory M. Roberts, Director of Aviation,
and Members of the Lafayette Regional Airport Commission
200 Terminal Drive
Lafayette, Louisiana 70508

Dear Mr. Roberts:

We applied our *Checklist of Best Practices in Government* in providing advisory services for the Lafayette Regional Airport Commission's (commission) business office.

Our recommendations are the result of our assessment of the current procedures and practices of the commission's business office and are intended to improve controls over financial operations, provide advice in implementing good business practices, and ensure compliance with state laws. However, management of the commission should consider the cost of implementing our recommendations compared to the benefits they will provide. The response from management of the commission is attached to this letter.

This assessment is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the commission's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The following are the recommendations resulting from our advisory services:

Written Policies and Procedures

Although the commission's staff does a good job in maintaining the financial affairs of the commission and adheres to sound policies and procedures in performing their jobs, we recommend that formal written policies and procedures be prepared for the various business functions of the commission. Formal written policies and procedures ensure a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and ensure the procedures followed meet management's expectations. Also, written policies and procedures aid in the continuity of operations and for cross training of staff.

Written Policies

We recommend written policies for the following:

- Ethics - The written ethics policy should be in accordance with state law and address such items as nepotism, prohibited activities (related party transactions), and transactions after termination of public service. In addition, we recommend that an annual certification letter be prepared by each commission member and other members of management attesting to their compliance with the ethics policy.
- Investments - Louisiana law [Louisiana Revised Statute (R.S.) 33:2955(D)] requires that the commission adopt an investment policy that details and clarifies investment objectives and the procedures and constraints necessary to reach those objectives.
- Capital assets - The dollar thresholds for the capitalization of capital assets should be established, along with policies addressing the inventory taking and tagging of capital assets.
- Records retention - R.S. 44:36 requires the commission to exercise diligence and care in preserving public records. In compliance with this law and in accordance with R.S. 44:411, the commission should develop and submit a records retention schedule, including e-mail communications, to the state archivist (Louisiana Secretary of State Office) for approval.
- Travel - The commission is in the process of adopting a formal travel policy. We suggest that the following be considered in the policy:
 - Define reasonable and necessary travel expenses.
 - Reimburse employees/commissioners for meals only when reasonable and necessary.
 - Distinguish between routine/conference and promotional/entertainment travel and meals (see Marketing Plan, page 4).
 - Include specific amounts (per diem) to be reimbursed for routine/conference meals and lodging that are reasonable.

- Require itemized restaurant meal receipts, as well as all other receipts to be reimbursed, to be submitted when actual costs are claimed.
- Limit the payment of travel costs to employees and commissioners. Although employees/commissioners presently reimburse the commission for their spouse's travel costs, this is considered a loan which is prohibited by Louisiana's Constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974].
- Credit cards - The policy should address the use and types of credit cards. We suggest that the commission's Visa credit card be used solely for airfare reservations for out-of-state travel and for purchases over the Internet when this method of purchase is the most cost-effective (all other travel related costs should be reimbursed to employees/commissioners by using a "Travel Expense Reimbursement Form").

Written Procedures

We recommend written procedures for the following:

1. Preparing, adopting, monitoring, and amending the budget
2. Purchasing materials and supplies, including the checks and balances to ensure compliance with the Public Bid Law and the documentation maintained for all bids and price quotes
3. Processing, reviewing, and approving disbursements
4. Receiving, recording, and preparing deposits for cash receipts
5. Processing, reviewing, and approving time/attendance records and payroll, including leave taken and overtime worked
6. Investing excess cash, including procedures for ensuring that bank balances and investments are fully secured
7. Recording, tagging, and safeguarding capital assets
8. Dispensing and reviewing the use of gasoline/diesel fuel

9. Preparing, requesting, and evaluating requests for proposals (RFPs)
10. Contracting for services
11. Using the Visa and Sam's credit cards
12. Billing and collecting accounts receivable

After Meeting Dinners

The commission paid for after meeting dinners at area restaurants for commission members that do not appear necessary or reasonable.

The ordinance creating the commission allows members to be reimbursed for necessary expenses in connection with their duties as members of the commission. Unless there is a valid business reason and there is not a quorum present, after meeting dinners are not "necessary expenses." Also, the cost of the dinners we reviewed was unreasonable compared to the Internal Revenue Service guidelines and the State of Louisiana's travel policy. In addition, although the open meetings law allows social gatherings of commission members, it does not allow, where there is a quorum present, for the members to discuss business, vote, or take other actions, including formal or informal polling of the members. While commission members may not have discussed commission business at these dinners, there is a perception to the public that business was being discussed.

The commission should discontinue after meeting dinners paid with commission funds. If the commission desires to provide food and beverage at meetings, we suggest that the commission request an opinion from the Louisiana Attorney General (AG).

Marketing Plan

The commission should develop an annual written marketing plan (as part of the annual budgeting process) that provides the estimated costs and basic objectives for generating new business and maintaining current business, along with the methods used to accomplish these objectives. Although the commission's judgment and discretion in expending public funds for advertising, business development, and memberships are important, the commission should also ensure that the funds expended comply with the constitutional provisions of Louisiana's Constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974].

Article VII, Section 14(A) provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporations. However, Article VII, Section 14(C) authorizes the commission to engage in a cooperative endeavor for a public purpose. To have a valid cooperative endeavor agreement, all three of the following elements must be met:

- The expenditure must be based on a legal obligation or duty.
- The expenditure must be for a public purpose.
- The expenditure must create a public benefit proportionate to its cost.

Cooperative endeavor agreements are not an exception to the statutory prohibition of donating public funds, but rather a way to ensure that public funds are used properly.

We suggest that all marketing disbursements be adequately documented to demonstrate agreement with the marketing plan and compliance with Louisiana's Constitution. Also, we suggest that the commission review all of its marketing activities (e.g., advertising, business development, and memberships) and seek guidance or an opinion from the AG for any questionable marketing expenditures or marketing practices. Although AG Opinion No. 95-439 addresses marketing issues of a *port authority*, the opinion may be useful in providing guidance to the commission for similar marketing issues.

Fixed Based Operator

Although state law [R.S. 2:135.1(E)]¹ does not require advertising or competitive bidding for leases with a fixed base operator (FBO),² the airport solicited RFPs from three FBO providers. We agree with the airport in obtaining RFPs for the FBO as a sound business practice even though the commission was not legally required to do so. In the future, we suggest that the airport provide or make available, in writing, all expected RFP submittal requirements to enable an objective comparison of all RFPs.

¹ R.S. 2:135.1(E) provides that leases of airport operational space, facilities, equipment, and other airport land and improvements at airports may be entered into with air carriers and fixed base operators for initial terms of up to thirty years, and optional extension terms of up to an additional twenty-five years, without advertising or competitive bidding.

² Fixed base operator (FBO) means an individual or a firm operating at an airport and providing general aircraft or air cargo services including, but not limited to, maintenance, storage, repair, and ground and flight instructions.

Financial Statements

Financial statements are prepared monthly but are not provided to commission members. We recommend that monthly financial statements, to include budget comparisons, be presented to commission members. Without accurate and complete financial statements, the commission cannot effectively exercise its fiduciary responsibilities of managing the airport.

General Fund

The proceeds from the ad valorem tax can be expended for virtually any lawful commission purpose. Therefore, it is not necessary to account for this tax in a separate fund (General Fund). Although there is no prohibition from using the General Fund, we suggest that the ad valorem tax and state revenue sharing proceeds be deposited directly into the proprietary fund as nonoperating revenues and that the General Fund be eliminated.

Bank Statements

We recommend that the director or deputy director receive all monthly bank statements directly (unopened) from the bank and that he review them to ensure that deposits appear reasonable and that any unusual disbursements are identified. This procedure will strengthen controls over cash since it is not practical to have an adequate system of checks and balances because of there being only one person in the accounting section. After the director/deputy director's review, the bank statements should be given to the financial officer for her to perform the bank reconciliations.

Cash Receipts

The mail opener should list all checks received on a daily receipt log and restrictively endorse all checks. The checks should then be given to the financial officer for deposit and entry into the general ledger. The daily receipt log should be given to the director or deputy director to be used to verify deposits were made during his review of the bank statements (see previous recommendation).

Cash Disbursements

We suggest the following based on our review of various paid vendor invoices:

- Cancel or mark “paid” on all paid invoices to prevent duplicate payment.
- Require documentation for “external charges” billed on vendor invoices (Sides & Associates) be submitted by the vendor along with the vendor’s invoice.
- Require the vendor to cross reference the “Cost Estimate and Authorization Job Number” to the amounts billed on the vendor’s invoice (necessary to verify that the approved project costs are not exceeded - see Sides & Associates contract).

Payroll Attendance Records

We commend the commission for the procedures it has in place for tracking employees’ time, overtime hours, and annual and sick leave earned and taken. To strengthen the controls, we suggest the following:

1. Require employees to sign their time cards at the end of the pay period, as a certification attesting to the accuracy of the hours worked.
2. Require supervisors for the administrative office and maintenance staff to calculate the total hours worked and sign the time cards to certify to the accuracy of the hours worked.
3. Submit the approved time cards to the commission’s secretary to verify the supervisor’s calculation of total hours worked for each employee.

Payroll

To strengthen controls over payroll since it is not practical to have an adequate system of checks and balances because of the limited number of employees, we recommend that:

1. A computer-generated report of all changes made to the payroll system between pay periods should be reviewed by someone independent of the payroll department.

2. The director/deputy director review the payroll register when signing the payroll checks to ensure that each person paid is actually a commission employee and that the rate of pay and hours worked appear reasonable.

Gasoline and Diesel Pumps

Good controls over gasoline/diesel require that only commission vehicles receive fuel, the supporting documentation for fuel usage identifies the vehicle and includes the odometer readings and pump meter readings, and the supporting documentation is reviewed promptly for reasonableness (number of gallons dispensed, miles traveled, and miles per gallon). Fuel logs for the gasoline tanks are maintained, but the logs do not include pump meter readings and the logs are not reviewed monthly by management.

We recommend that the commission:

- Install a meter on each of the diesel bulk tanks
- Maintain a fuel log for recording diesel dispensed from the commission's bulk tanks
- Include the tank meter readings on the fuel logs
- Reconcile the number of gallons dispensed with the tank meter readings daily
- Prepare a monthly analysis or summary by vehicle that includes, at a minimum, the number of gallons dispensed, miles traveled, and miles per gallon (for those vehicles that have odometers)
- Require the director and the finance committee review the analysis monthly to determine for each vehicle that the dates of use are reasonable and the number of gallons received, miles traveled, and miles per gallon are reasonable

Minutes

The commission, as a political subdivision of the state and Lafayette Parish, should publish the minutes of the board meetings in the commission's official journal, as required by R.S. 43:171.A. (1).³ Currently, the minutes are prepared, but they are not

³ R.S. 43:171.A.(1) provides that levee, drainage, subdrainage, road, subroad, navigation, and sewerage districts, or other political subdivisions of the state and parishes, shall have the proceedings of their board published in a newspaper. The newspaper shall be selected at their first meeting in June of each year for a term of one year.

Mr. Gregory M. Roberts, Director of Aviation
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published. AG Opinion No. 94-376 provides that a summary of the minutes can be published.

Disaster Recovery/Business Continuity Plan

We recommend the following:

- A formal written disaster recovery/business continuity plan be prepared and tested/revised annually. Having a formal written plan is a good business practice as it will provide the steps to be performed to continue the commission's operations in the event of a natural disaster, fire, or terrorist attack.
- The commission maintain the back-up file of its computer system at an off-site location.

I trust this information will assist you in the operations of the commission. Please contact me at (225) 339-3800 should you have any questions or if we can assist you in the future.

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

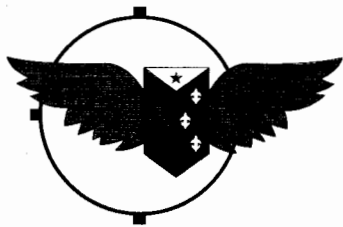
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Attachment

cc: Carroll B. Robichaux, Chairman
Paul H. Colomb, Vice-Chairman
Brenda Burley, Secretary/Treasurer
Donald J. Higginbotham, Commissioner
Allen A. Dugas, Commissioner
Charles H. Wyatt, Commissioner
Jim Nunn, Commissioner

Management's Response



LAFAYETTE AIRPORT COMMISSION

LAFAYETTE REGIONAL AIRPORT

March 5, 2007

Steve J. Theriot
Office of Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Lafayette Airport Commission

Dear Mr. Theriot,

The staff of the Lafayette Airport Commission is in receipt of your proposed correspondence which reports the findings of your office after applying the Checklist of the Best Practices in Government to the Lafayette Airport Commission's business office. We understand that a copy of this response will be attached to the final report when it is released from your office.

The Lafayette Airport Commission and its staff thank you and the members of your office for the professional manner in which the business operations of the airport were reviewed.

Be advised that all of the recommendations of your office are accepted by the Lafayette Airport Commission and its staff. All recommendations will be implemented as soon as possible. Staff and outside consultants have already begun to draft the written policies your office has recommended. The other recommendations of your office which require no written policy either have already been implemented or will be implemented immediately.

Sincerely,

Gregory M. Roberts, A.A.E.
Director of Aviation